

**7. Please provide a brief overview of your sector. Including: importance to the economy; recent and projected growth of the sector; national or sectoral strategies/actions; types of occupations in the sector.**

Affiliated to the national Chambers Ireland network, Shannon Chamber is the representative body for over 340 businesses in the greater Shannon area in County Clare, and its reach extends to approximately 19,500 employees. Formed in 1995, the Chamber is now recognised as one of the most progressive and fastest growing chambers in the country. Its membership is drawn from a diverse range of sectors, such as aircraft leasing, aircraft maintenance repair and overhaul (MRO), pharmaceuticals, medical devices, ICT, international services, engineering and logistics. Many different client categories are represented, including multinational companies, indigenous SMEs, micro enterprises and sole traders.

Having consulted with member companies, particularly those in the aircraft maintenance, healthcare and SME sectors, who raised concerns about the impact the proposed increase in the minimal annual thresholds for employment permits would have on their operations, Shannon Chamber welcomes this opportunity to make a submission to this public consultation process on their behalf.

We do so not as a company experiencing the impact of the proposed changes, but as a business representative organization. We understand that some of our member companies have responded directly to this consultative process, outlining the specific impact the proposed increase would have on their financial stability.

**8. Please provide details of the types of roles for which you or your members access the Employment Permit System.**

Consultation with our members, who brought the Employment Permits' threshold issue to our attention, highlights that non-EEA employees are sourced to fill positions in the aviation sector (MRO) and the SME sub-supply sector where adequate skilled labour cannot be sourced in the EEA. Examples of roles include aeronautical engineers, avionics, Non-Destructive Testing (NDT) technicians, sheet metal workers, aircraft spray painters and team leaders.

**9. Please provide an overview of the impact of the Roadmap on your sector/members to date.**

Skills gaps and labour shortages are one of the biggest obstacles facing many of our member company; they are unable to meet their talent needs, hence having to extend their recruitment search outside the EEA. The employment permits system offers them access to a necessary talent pipeline that helps fuel their business growth and enables them to remain sustainable and competitive.

In lengthy discussions with member companies who, due to skill shortages in Ireland and the EEA for their sector-specific requirements, we were informed that they utilise the Employment Permit System to recruit non-EEA employees, and we found a high level of disquiet on the monetary impact the escalated cost would have on their businesses.

To ensure that their concerns were understood at Government level, we also facilitated meetings with Minister Emer Higgins, local elected representatives, and Enterprise Ireland CEO, Leo Clancy, to enable our members to outline their concerns directly.

While the impact of the proposed change might not have been apparent at the time the legislation was passed, it is creating discontent in various sectoral areas; the practicalities of its impact are now apparent with companies stating they will find it challenging to maintain their existing workforces due to the competitive nature of wages.

Implementing the proposed minimum threshold would result in employees (EEA and non-EEA) being paid differently for doing the same work and could potentially lead to industrial relations issues in the long-term. Another unintended consequence is that it could skew Gender Pay Gap reporting should it result in lower-grade male workers on employment permits being paid more than higher-grade females not requiring a work permit. The domino effect of the proposed increase warrants further consideration.

Shannon Chamber recognises the need to keep salary thresholds aligned with wage growth but a salary increase of up to €9,000 with just two years' service, no change in role specifications, and no promotion, would result in over inflation relative to a company's existing salary structure. It is very much askew compared to minimum wage increases, which saw an overall increase of €2.20 per hour over the past three years (1<sup>st</sup> Jan 2023 = €11.30 ph / 1<sup>st</sup> Jan 2024 = €12.70 ph / 1<sup>st</sup> Jan 2025 = €13.50ph). Companies simply could not sustain this given that overall employment costs have increased by almost 30%, with pension auto enrolment coming on-stream before year end. It is therefore questionable if companies would be able to stay trading due to the additional wage cost of mandatory compliance with the level of proposed change in the minimum threshold.

#### **10. What are the specific challenges your business/members/sector has faced as a consequence the January 2024 MAR increase?**

It has impacted many of our members' cost competitiveness which is compounded by the extensive increase in labour-related costs, increased energy costs, commercial rent and rates increases. One member company estimates these have resulted in a collective increase of circa 30%.

An increase of €9,000 in less than two years is a significant burden on companies and puts additional strain on overall salary structures, creating a two-tier structure within organisations between EEA-sourced and non-EEA employees doing the same work and between new recruits and longer-term employees.

As stated by Chambers Ireland, labour costs have been one of the most significant challenges facing Irish businesses. The increases to the minimum wage, the phase-in of the living wage, statutory sick pay, additional leave entitlements, pension auto-enrolment, and remote and hybrid working arrangements have all created additional financial and regulatory compliance costs.

Some of our member companies reported stalling international recruitment due to the additional MART, which is now hurting their competitiveness and a potential loss of business to Shannon and Ireland.

We cannot allow the MAR roadmap to be the cause of company downsizing or worse still, closures. This is a potential outcome in the aviation sector where global options are available to customers for lower costs.

**11. Please describe any benefits of the Roadmap on your sector to date. For example, on recruitment and retention of non-EEA workers, improved quality of life in Ireland?**

We concur with Chambers Ireland's view that there have been minimal benefits for businesses in from the Roadmap. Recruiting internationally requires our members to bear the additional costs of such hires e.g. the recruitment process is expensive, covering relocation costs and then, when in Ireland, providing or in some cases, building and renovating houses to accommodate workers, and providing transport to/from work. The fact that non-EEA recruits can now move employer after 9 months on the visa they acquired from the employer who has borne all the initial costs is quite exasperating for our member companies. They cannot claw back these costs when the employee leaves.

This highlights another major issue with current legislation – the ability for a non-EEA permit holder to change employment after nine months, despite the company that initiated their employment in Ireland having incurred all the onboarding and initial training costs. Shannon Chamber would request that this decision be revisited and reversed.

The impact of the Roadmap will likely result in many of our members' recruitment drives being scaled back, which will negatively impact the number of new hires, and employment opportunities in Shannon.

Shannon has a well-established aviation and SME sub-supply sector. We have been through many downturns and fully understand the necessity to do everything within our power to maintain our existing workforce, as well as attracting new investment. We cannot contemplate the negative impact of placing an additional cost burden on our member companies. We need to enable them to remain competitive in the global economy in which they operate. Sectors with tight profit margins work diligently to remain competitive against their larger competitors. Many bear the cost of bringing non-EEA employees to Ireland and many have been forced to become landlords, providing their overseas sourced employees with appropriate accommodation.

**12. What challenges do you anticipate you/your business/members/sector will have with future MAR threshold increases as set out in the Roadmap?**

As stated by Chambers Ireland, who have consulted with Shannon Chamber in advance of preparing their submission, future MAR threshold increases, as set out in the Roadmap, will be unsustainable for many businesses, particularly for those that rely on employment permits as a necessary means of meeting their skills needs. Ireland must remain a competitive economy to attract future foreign direct investment and to enable our indigenous SMEs to grow and sustain. Internationally sourced workers will be required to fuel this growth as Ireland is unable to supply the level of skill sets required. There is the added danger that companies, with multiple sites, may claw back work from Ireland and place it in less-costly operational jurisdictions. Many companies in Shannon compete with their parent company's global subsidiaries.

**13. If you have an alternative proposal for the continued implementation of sustainable fair MAR increases for Employment Permit holders, please provide details.**

If structured correctly and increases phased in over a number of years, with the danger or disparity removed, the Roadmap could be beneficial as, to expand, many of our members, cannot source adequately qualified personnel for aspects of their operations in Ireland. Hiring internationally has enabled members to grow, and it has added diversity and inclusion to our region.

Prior to making a final decision on the roadmap for increasing Minimum Annual Remuneration Thresholds for Employment Permits, we would recommend that:

- Full consultation be held with key sectors utilising employment permits and industry representative organisations – Shannon Chamber would volunteer to partake in this process.
- Undertake a full data analysis of the types of roles/sectors utilising employment permits. We understand the demand for work permits has been unprecedented and the biggest change for companies in their hiring strategies and hiring costs.
- Derogations be considered for specific sectors. No one size fits all.
- The option to move employer after 9 months be reviewed.
- Employers be allowed to insert bond/claw back clauses in contracts for employees that leave within a 2-year period.
- Increases in salaries, to all employees, should be based on length of service, and additional qualifications that add value to a company.

**14. Are the Roadmap's forthcoming MAR thresholds in line with average wages for Irish or EEA nationals in your sector? If not, please provide further details of average wages for Irish or EEA nationals in your sector.**

We can only be guided here by what our members say and that is, it is not in line with the average wages for Irish and EEA nationals. One member points to a disparity of circa €5,000 and €9,000. Another member company, IAC, has outlined specific pay disparity in its submission, particularly for graduate engineers and other roles within the aviation sector. When the added costs of bringing the employees to Ireland and the many other benefits given to them when here, are taken into account, the total cost of employing a non-EEA national increases significantly.

**15. Are there any wider economic factors that may have an influence on your ability to meet the future requirements of the Roadmap?**

We concur with Chambers Ireland in saying that the Draghi and Letta reports at EU level point to significant issues of competitiveness generally within the EU. Ireland also has both general and unique risks associated with geopolitical issues such as the forthcoming change of President in the US. Additional increases in costs for business carry very significant risk of doing harm.

Ireland is considered a high-cost location, and it is imperative that we enable our enterprise base, indigenous and FDI, to trade competitively. Companies that trade internationally risk losing customers if they are forced to increase their costs. Subsidiaries of multinational companies risk their operations being transferred to more cost-competitive jurisdictions. A benchmarking exercise is warranted to ensure that Ireland remains competitive at a global level.

*Thank you for giving us this opportunity to share our views on an issue that is of critical importance to Ireland's economic stability.*